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ABSTRACT

An agreement for a loan granted by the United States to Indonesia through the Agency for International Development (AID) for higher education development training is described. The assistance to certain educational institutions is designed to assist in the financing of advanced training, upgrading and development of the faculties, administrations, and staffs of state and selected private universities and institutions of higher education. The loan will provide training in the United States for about 65 doctoral candidates and 65 MA/MS candidates, plus third country training for about 15 doctoral and 10 MA/MS candidates. It will also assist in-country training activities by providing the services of short-term consultants from U.S. institutions for up to 87.5 man-months. The loan is especially designed to provide assistance to faculties in institutions of higher education with high priorities given to sciences, technology, and selected social sciences. The following conditions of the loan agreement are detailed: loan terms, conditions precedent to disbursement, general covenants and warranties, procurement, disbursements, cancellation and suspension, communications, representatives, implementation letters, promissory notes, and termination upon full payment. (SW)

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TREATIES AND OTHER INTERNATIONAL ACTS SERIES 8759

ED165671

HIGHER EDUCATION DEVELOPMENT TRAINING

Agreement Between the
UNITED STATES of AMERICA
and INDONESIA

Signed at Jakarta October 28, 1976

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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INDONESIA

Higher Education Development Training

Agreement signed at Jakarta October 28, 1976;
Entered into force October 28, 1976.

A.I.D. Loan No. 497-V-042

LOAN AGREEMENT

(Indonesia: Higher Education Development Training)

between the

GOVERNMENT OF THE REPUBLIC OF INDONESIA

and the

GOVERNMENT OF THE UNITED STATES OF AMERICA

Dated: October 28, 1976

LOAN AGREEMENT

LOAN AGREEMENT dated October 28 , 1976 between the REPUBLIC OF INDONESIA ("Borrower") and the UNITED STATES OF AMERICA ("United States") acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D."):

ARTICLE I

The Loan

SECTION 1.01. The Loan. A.I.D. agrees to lend to the Borrower pursuant to the Foreign Assistance Act of 1961, as amended,[1] an amount not to exceed Five Million United States Dollars ($5,000,000) ("Loan") to assist the Borrower in carrying out the Project defined in Section 1.02. The Loan shall be used exclusively to assist in financing the Foreign Exchange and Local Currency Costs of services and training required for the Project. The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal."

SECTION 1.02. The Project. The "Project" shall consist of assistance to certain higher educational institutions within the Republic of Indonesia. The A.I.D. contribution is designed to assist in the financing of advanced training, upgrading and development of the faculties, administrations and staffs of state and selected private universities and institutions of higher learning in Indonesia. The Project is

[1] 75 Stat. 424; 22 U.S.C. § 2151 note.

more fully described in Appendix I, attached hereto and made a part hereof, which Appendix may be modified by agreement of the parties in writing without the formal amendment of this Agreement.

ARTICLE II

Loan Terms

SECTION 2.01. Interest. The Borrower shall pay to A.I.D. interest which shall accrue at the rate of 2% per annum for 10 years following the date of the first disbursement hereunder and at the rate of 3% per annum thereafter on the outstanding balance of the Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement (as such date is defined in Section 6.04) and shall be computed on the basis of a 365-day year. Interest shall be payable semi-annually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

SECTION 2.02. Repayment. The Borrower shall repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement hereunder in sixty-one (61) approximately equal semi-annual installments of Principal and interest. The first installment of Principal shall be payable nine and one-half (9-1/2) years after the date on which the first interest payment is due in accordance with Section 2.01. A.I.D. shall provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 2.03. Application, Currency, and Place of Payment. All payments of interest and Principal hereunder shall be made in United States dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, all such payments shall be made to the Controller, Agency for International Development, Washington, D.C., U.S.A., and shall be deemed made when received by the office of the Controller.

SECTION 2.04. Prepayment. Upon payment of all interest and refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Any such prepayment shall be applied to the installments of Principal in the inverse order of their maturity.

SECTION 2.05. Renegotiation of the Terms of the Loan. The Borrower agrees to negotiate with A.I.D., at such time or times as A.I.D. may request, an acceleration of the repayment of the Loan in the event that there is any significant improvement in the internal and external economic and financial position and prospects of the country of the Borrower.

ARTICLE III

Conditions Precedent to Disbursement

SECTION 3.01. Conditions Precedent to Initial Disbursement. Unless A.I.D. otherwise agrees in writing, prior to the first disbursement or to the issuance of the first Letter of Commitment or other commitment document

under the Loan, the Borrower shall furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An opinion of the Minister of Justice of the Borrower that this Loan Agreement has been duly authorized or ratified by, and executed on behalf of, the Borrower and is a valid and legally binding obligation of the Borrower in accordance with its terms;

(b) A statement of the names of the persons holding or acting in the office of the Borrower specified in Section 8.02, and a specimen signature of each person specified in such statement;

(c) (i) Written assurance that the estimated annual expenditures for each year during which the Project is being conducted (other than the U.S. dollar costs to be financed under the Loan) will be made available to permit the work of the Project to proceed on a timely basis, (ii) a budgetary allocation for the Project for the Indonesian Fiscal Year 1976-77, and (iii) an approved payment authorization for payment of Indonesian currency in the amount required for the first three months of Project operations; and

(d) A plan setting forth the fields of study and institutions which will be selected in accordance with criteria designed to assure that the educational programs assisted with Loan resources will result in professional skills and activities

directly related to programs and problem-solving processes which serve in particular the needs of the low income groups in Indonesia.

SECTION 3.02. Additional Conditions Precedent to Commencement of Training. Prior to the commencement of training of Indonesians in the United States, third countries, or Indonesia for which disbursement will be sought by the Borrower under the Loan, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An executed contract with a United States firm or organization, acceptable to A.I.D., to provide consulting services necessary for the Project; and

(b) Criteria to be utilized for selecting candidates for training to be financed under the Loan.

SECTION 3.03. Terminal Dates for Meeting Conditions Precedent to Initial Disbursement. If all of the conditions specified in Section 3.01 shall not have been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by giving written notice to the Borrower. Upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall terminate.

SECTION 3.04. Notification of Meeting of Conditions Precedent to Disbursement. A.I.D. shall notify the Borrower

upon determination by A.I.D. that the conditions precedent to disbursement specified in Section 3.01 and, as the case may be, Section 3.02 have been met.

ARTICLE IV

General Covenants and Warranties

SECTION 4.01. Execution of the Project.

(a) The Borrower shall carry out the Project with due diligence and efficiency, and in conformity with sound financial, administrative and planning practices.

(b) The Borrower shall cause the Project to be carried out in conformity with all of the plans, specifications, contracts, schedules, and other arrangements, and with all modifications therein, duly approved by A.I.D. pursuant to this Agreement.

(c) The Borrower shall ensure that each participant, upon satisfactory completion of training, will be guaranteed a position commensurate with his training in an appropriate university or other institution of higher learning.

SECTION 4.02. Funds and Other Resources to be Provided by Borrower. The Borrower shall provide promptly as needed all funds, in addition to the Loan, and all other resources required for the punctual and effective carrying out of the Project, on the further condition that these contributions by the Borrower shall constitute at least 25% of the costs of the entire project.

In particular, the Borrower shall make its best effort to provide necessary supporting staff, facilities and equipment for the institutional development of universities to which participants trained under this Project will be assigned. It is understood that the Borrower is negotiating other credits to expand and improve physical plants within the Indonesian university system.

SECTION 4.03. Continuing Consultation.

(a) The Borrower and A.I.D. shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, the Borrower and A.I.D. shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by the Borrower of its obligations under this Agreement, the performance of consultants, contractors, and suppliers engaged on the Project, and other matters relating to the Project.

(b) The Borrower and A.I.D. shall make an annual evaluation of the Project.

SECTION 4.04. Utilization of Goods and Services.

(a) Services and training financed under the Loan shall be used exclusively for the Project, except as A.I.D. may otherwise agree in writing.

(b) Except as A.I.D. may otherwise agree in writing, no services or training financed under the Loan shall be used

to promote or assist any foreign aid project or activity associated with or financed by any country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

SECTION 4.05. Taxation. This Agreement, the Loan, and any evidence of indebtedness issued in connection herewith shall be free from, and the Principal and interest shall be paid without deduction for and free from, any taxation or fees imposed under the laws in effect in the country of the Borrower. To the extent that any contractor, including any consulting firm, any personnel of such contractor financed hereunder, and any property or transaction relating to such contracts are not exempt from identifiable taxes, tariffs, duties, and other levies imposed under laws in effect in the country of the Borrower, the Borrower shall pay or reimburse the same under Section 4.02 of this Agreement with funds other than those provided under the Loan.

SECTION 4.06. Disclosure of Material Facts and Circumstances. The Borrower represents and warrants that all facts and circumstances that it has disclosed or caused to be disclosed to A.I.D. in the course of obtaining the Loan are accurate and complete, and that it has disclosed to A.I.D., accurately and completely, all facts and circumstances that might materially affect the Project and the discharge of its

obligations under this Agreement. The Borrower shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, the Project or the discharge of the Borrower's obligations under this Agreement.

SECTION 4.07. Commissions, Fees, and Other Payments.

(a) Borrower warrants and covenants that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, it has not paid, and will not pay or agree to pay, nor to the best of its knowledge has there been paid nor will there be paid or agreed to be paid by any other person or entity, commissions, fees, or other payments of any kind, except as regular compensation to the Borrower's full-time officers and employees or as compensation for bona fide professional, technical, or comparable services. The Borrower shall promptly report to A.I.D. any payment or agreement to pay for such bona fide professional, technical, or comparable services to which it is a party or of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by A.I.D., the same shall be adjusted in a manner satisfactory to A.I.D.

(b) The Borrower warrants and covenants that no payments have been or will be received by the Borrower or any official of the Borrower, in connection with the procurement

of services and training financed hereunder, except fees, taxes, or similar payments legally established in the country of the Borrower.

SECTION 4.08. Maintenance and Audit of Records. The Borrower shall maintain, or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Project and to this Agreement. Such books and records shall, without limitation, be adequate to show:

(a) the receipt and use made of services and training acquired with funds disbursed pursuant to this Agreement;

(b) the nature and extent of solicitations of prospective suppliers of services and training acquired;

(c) the basis of the award of contracts and orders to successful bidders; and

(d) the progress of the Project.

Such books and records shall be regularly audited, in accordance with sound auditing standards for such period and at such intervals as A.I.D. may require, and shall be maintained for five years after the date of the last disbursement by A.I.D. or until all sums due A.I.D. under this Agreement have been paid, whichever date shall first occur.

SECTION 4.09. Reports. The Borrower shall furnish to A.I.D. such information and reports relating to the Loan and to the Project as A.I.D. may reasonably request.

SECTION 4.10. Inspections. The authorized representatives of A.I.D. shall have the right at all reasonable times to inspect the Project, the utilization of all services and training financed under the Loan, and the Borrower's books, records, and other documents relating to the Project and the Loan. The Borrower shall cooperate with A.I.D. to facilitate such inspections and shall permit representatives of A.I.D. and consultants and contractors to visit areas relating to the Project for purposes relating to the Loan.

ARTICLE V

Procurement

SECTION 5.01. Procurement Source and Origin. Except as A.I.D. may otherwise agree in writing, the source and origin of services and training financed under the Loan shall be in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts are entered into for such services and training, except that to the extent that Local Currency Costs are financed under the Loan, services and training shall have their source and origin in Indonesia.

SECTION 5.02. Eligibility Date. Except as A.I.D. may otherwise agree in writing, no services or training may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement.

SECTION 5.03. Implementation of Procurement Requirements. The definitions applicable to the eligibility requirements of Section 5.01 will be set forth in detail in Implementation Letters.

SECTION 5.04. Plans, Specifications, and Contracts. In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Borrower will furnish to A.I.D. upon preparation:

(1) any plans, contracts, or other documentation relating to goods or services to be financed by A.I.D., including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished A.I.D. on preparation;

(2) such documentation will also be furnished to A.I.D., upon preparation, relating to any services or training which, though not financed by A.I.D., are deemed by it to be of major importance to the Project. Aspects of the Project involving matters under this subsection (a) (2) will be identified in Implementation Letters;

(b) Bid documents related to the prequalification of contractors, and documents related to the solicitation of proposals,

for services and training financed under the Loan will be duly approved by A.I.D. in writing prior to their issuance.

(c) Contracts and contractors financed by A.I.D. for professional services, and for such other services as may be specified in Implementation Letters, will be duly approved by A.I.D. in writing prior to execution of the contract. Material modifications in such contracts will also be duly approved in writing by A.I.D. prior to execution; and

(d) Consulting firms used by the Borrower for the Project but not financed under the Loan, the scope of their services and such of their personnel assigned to the Project as A.I.D. may specify, shall be acceptable to A.I.D.

SECTION 5.05. Reasonable Price. No more than reasonable prices shall be paid for any services financed, in whole or in part, under the Loan, as more fully described in Implementation Letters. Such items shall be procured in a fair and, except for professional services, on a competitive basis in accordance with procedures therefor prescribed in Implementation Letters.

SECTION 5.06. Notification to Potential Suppliers. In order that all United States firms shall have the opportunity to participate in furnishing services to be financed under the Loan, the Borrower shall furnish to A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Implementation Letters.

SECTION 5.07. Information and Marking. Borrower shall give publicity to the Loan and the Project as a program of United States aid, identify the Project site(s), and provide other markings or publicity as prescribed in Implementation Letters.

ARTICLE VI

Disbursements

SECTION 6.01. Disbursement for Foreign Exchange Costs -- Letters of Commitment to United States Banks. Upon satisfaction by the Borrower of conditions precedent, the Borrower may, from time to time, request A.I.D. to issue Letters of Commitment for specified amounts to one or more United States banks, designated by Borrower and satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, through the use of Letters of Credit or otherwise, for Foreign Exchange Costs of services procured for the Project in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or supplier will be made by the bank upon presentation of such supporting documentation as A.I.D. may prescribe in Letters of Commitment and Implementation Letters. Banking charges incurred in connection with Letters of Commitment and Letters of Credit shall be for the account of the Borrower and may be financed under the Loan.

SECTION 6.02. Disbursement for Local Currency Costs. After satisfaction of conditions precedent, the Borrower may, from time to time, obtain disbursement from A.I.D. for Local Currency Costs of services and training required for the Project in accordance with the terms of this Agreement by requesting A.I.D. to finance such Local Currency Costs by submitting to A.I.D. necessary supporting documentation as prescribed by A.I.D. in Implementation Letters. A.I.D., at its option, may finance such costs either:

(a) by making such local currency available from currency of the country of the Borrower obtained by A.I.D. with U.S. dollars, whether by purchase or from such currency already owned by the U.S. Government; or

(b) by

(i) requesting the Borrower to make available the local currency for such costs, and

(ii) thereafter making available to the Borrower, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Borrower or its designee, an amount of U.S. dollars equivalent to the amount of local currency made available by the Borrower, which dollars will be utilized for procurement from the United States under appropriate procedures described in Implementation Letters.

The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of local currency made available as described in paragraph (a) above, the amount of U.S. dollars required by A.I.D. to obtain the local currency calculated using the highest official rate of exchange at which the Bank Indonesia sells local currency for U.S. dollars in effect on the date of disbursement, and in the case of paragraph (b) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation Memorandum as of the date of the opening or amendment of the Special Letter of Credit.

SECTION 6.03. Other Forms of Disbursement. Disbursement of the Loan may also be made through such other means as the Borrower and A.I.D. may agree to in writing.

SECTION 6.04. Date of Disbursement. Disbursements by A.I.D. shall be deemed to occur (a) on the date on which A.I.D. makes a disbursement pursuant to Section 6.01 to the Borrower, to its designee, or to a banking institution pursuant to a Letter of Commitment; (b) in the case of disbursements made pursuant to Section 6.02(a), on the date on which A.I.D. disburses the local currency to the Borrower or its designee; (c) on the date on which A.I.D. opens or amends the Special Letter of Credit referred to in Section 6.02(b); or (d), in the case of disbursements made pursuant to Section 6.03, on the date on which A.I.D. makes a disbursement pursuant to the terms of such other disbursement documents.

SECTION 6.05. Terminal Date for Disbursement. Except as A.I.D. may otherwise agree in writing, no Letter of Commitment or other document making a commitment for payment will be issued or amended pursuant to requests received by A.I.D. after four years and nine months next succeeding the date of execution of this Agreement and no disbursement will be made against documentation received by A.I.D. or any bank making payments hereunder after five years next succeeding the date of execution of this Agreement. After the latter date, A.I.D. may at any time or times reduce the amount of the Loan by all or any part thereof for which documentation was not received by such date.

ARTICLE VII

Cancellation and Suspension

SECTION 7.01. Cancellation by the Borrower. The Borrower may, with the prior written consent of A.I.D., by written notice to A.I.D., cancel any part of the Loan (i) which, prior to the giving of such notice, A.I.D. has not disbursed or committed itself to disburse, or (ii) which has not then been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit.

SECTION 7.02. Events of Default; Acceleration. If any one or more of the following events ("Events of Default") shall occur:

(a) The Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;

(b) The Borrower shall have failed to comply with any other provisions of this Agreement, including, but without limitation, the obligation to carry out the Project with due diligence and efficiency;

(c) The Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between the Borrower or any of its agencies and A.I.D. or any of its predecessor agencies; then A.I.D. may, at its option, give to the Borrower notice that all or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter, and, unless the Event of Default is cured within such sixty (60) days:

(i) such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately; and

(ii) the amount of any further disbursements made under then outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

SECTION 7.03. Suspension of Disbursement. In the event that at any time:

(a) An Event of Default has occurred;

(b) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligations under this Agreement;

(c) Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.; or

(d) The Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other Loan Agreement, any guaranty agreement, or any other agreement between the Borrower or any of its agencies and the Government of the United States or any of its agencies;

Then A.I.D. may, at its option:

(i) suspend or cancel outstanding commitment documents to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit, in which event A.I.D. shall give notice to the Borrower promptly thereafter;

(ii) decline to make disbursements other than under outstanding commitment documents;

(iii) decline to issue additional commitment documents.

SECTION 7.04. Cancellation by A.I.D. Following any suspension of disbursements pursuant to Section 7.03, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

SECTION 7.05. Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursement, or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

SECTION 7.06. Refunds.

(a) In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement not made or used in accordance with the terms of this Agreement, A.I.D., notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require the Borrower to refund such amount in United States dollars to A.I.D. within sixty days after receipt of a request therefor. Such amount shall be made available first for the cost of services and training procured for the Project hereunder, to the extent justified; the remainder, if any, shall be applied to the installments

of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder. Notwithstanding any other provision in this Agreement, A.I.D.'s right to require a refund with respect to any disbursement under the Loan shall continue for five years following the date of such disbursement.

(b) In the event that A.I.D. receives a refund from any contractor, supplier, or banking institution, or from any other third party connected with the Loan, with respect to services or training financed under the Loan, and such refund relates to an unreasonable price for services, or to services that were inadequate, A.I.D. shall first make such refund available for the cost of services and training procured for the Project hereunder, to the extent justified; the remainder to be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder.

SECTION 7.07. Expenses of Collection. All reasonable costs incurred by A.I.D., other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A.I.D. by reason of the occurrence of any of the events specified in Section 7.02 may be charged to the Borrower and reimbursed to A.I.D. in such manner as A.I.D. may specify.

SECTION 7.08. Nonwaiver of Remedies. No delay in exercising or omission to exercise any right, power, or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of any such rights, powers, or remedies.

ARTICLE VIII

Miscellaneous

SECTION 8.01. Communications. Any notice, request, document, or other communication given, made, or sent by the Borrower or A.I.D. pursuant to this Agreement shall be in writing or by telegram, cable, or radiogram and shall be deemed to have been duly given, made, or sent to the party to which it is addressed when it shall be delivered to such party by hand or by mail, telegram, cable, or radiogram at the following addresses:

To Borrower:

Mail Address: Departemen Luar Negeri
Jl. Pejambon 6
Jakarta, Indonesia

Cable Address: DEPLU Jakarta

To A.I.D.:

Mail Address: United States Agency for International Development
American Embassy
Jakarta, Indonesia

Cable Address: USAID AMEMB Jakarta

Other addresses may be substituted for the above upon the giving of notice. All notices, requests, communications, and documents submitted to A.I.D. hereunder shall be in the English language, except as A.I.D. may otherwise agree in writing.

SECTION 8.02. Representatives. For all purposes relative to this Agreement, the Borrower will be represented by the individual holding or acting in the office of Chairman or Vice Chairman, National Development Planning Agency (BAPPENAS), and A.I.D. will be represented by the individual holding or acting in the office of Mission Director, USAID Mission to Indonesia. Such individuals shall have the authority to designate additional representatives by written notice. In the event of any replacement or other designation of a representative hereunder, Borrower shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to A.I.D. Until receipt by A.I.D. of written notice of revocation of the authority of any of the duly authorized representatives of the Borrower designated pursuant to this Section, it may accept the signature of any such representative or representatives on any instrument as conclusive evidence that any action effected by such instrument is duly authorized.

SECTION 8.03. Implementation Letters. A.I.D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement.

SECTION 8.04. Promissory Notes. At such time or times as A.I.D. may request, the Borrower shall issue promissory notes or such other evidences of indebtedness with respect to the Loan, in such form, containing such terms and supported by such legal opinions as A.I.D. may reasonably request.

SECTION 8.05. Termination Upon Full Payment. Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under this Loan Agreement shall terminate.

IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its respective duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first abov written.

UNITED STATES OF AMERICA

By: David D. Newsom
David D. Newsom
Ambassador to Indonesia

REPUBLIC OF INDONESIA

By: Adam Malik
Adam Malik
Minister for Foreign
Affairs of the Republic
of Indonesia

APPENDIX I

PROJECT DESCRIPTION

This loan will contribute to the cost of a project in academic manpower development under which the faculties of key Indonesian centers of higher education will be upgraded and expanded through training at U.S., in-country and third country institutions.

The project will be an integral part of an overall graduate and advanced study program developed by the Government of Indonesia with the goal of producing a substantial number of doctorates or equivalent and large increases in the numbers of MA/MS degree holders over the next three to five years. It will consist of a two pronged effort to upgrade institutions and to provide faculty and is directed to the development of centers of academic concentration in areas of specialized study. The selection of the centers is based on the potential available within the area and the capability of institutions of higher education to support national development aims.

The loan will specifically support this program by providing training in the U.S. for about 65 doctoral candidates and 65 MA/MS candidates, plus third country training for about 15 doctoral and 10 MA/MS candidates. It will also assist in-country training activities by providing the services of short-term consultants from U.S. institutions for up to 87.5 man-months.

The loan is especially designed to provide assistance to faculties in institutions of higher education with high priorities given to sciences, technology and selected social sciences. The loan is complementary to the Agricultural Education Development Loan, as it will provide assistance to the institutions that are not strictly agricultural.

The GOI contribution to the project will include, but is not limited to, GOI staff costs, planning studies conducted by Indonesians in country, domestic travel, academic trainee salaries during the period of study and costs for in-Indonesia workshops, seminars and programs, excepting the honoraria, per diem and other local costs involved in bringing U.S. and third country academic specialists to Indonesia.

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